AvestaPolarit STAINLESS

**PRESS RELEASE**

Espoo, 25 July 2002 at 13:00 hrs

# AvestaPolarit Interim Report for January to June 2002

## Profitability continued to improve

- The operating profit for the second quarter amounted to EUR 103 million (EUR 80 million), representing an increase of 29% compared to the corresponding period last year and 37% compared to the first quarter of 2002. The operating profit for the six months increased by 56% to EUR 178 million (EUR 114 million). The operating result includes a net profit of EUR 20 million related to insurance compensation for the fire at the Group's plant in Helmond.

- Net sales fell slightly compared to last year's figures and totalled EUR 823 million (EUR 837 million) for the second quarter and EUR 1 592 million (EUR 1 667 million) for the six-month period.

- The market conditions for stainless steel improved compared to the first quarter but demand seasonally slowed towards summer.

- Major investment projects and organisational development initiatives are proceeding well.

- On 1 July Outokumpu Oyj announced its intention to acquire full ownership of AvestaPolarit Oyj Abp with a purchase price of EUR 6.55 per share. Outokumpu has already reached agreement with Corus Group plc to purchase its shares.

**Key figures**

| EUR million | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Pro forma Jan-June 2001 | Actual Jan-June 2001 |
|---|---|---|---|---|---|
| Net sales | **823** | 837 | **1 592** | 1 667 | 1 541 |
| Operating profit | **103** | 80 | **178** | 114 | 112 |
| Profit before extraordinary items | **104** | 76 | **176** | 108 | 106 |
| Profit for the financial period | **74** | 54 | **133** | 77 | 77 |
| Earnings per share, EUR | **0.21** | 0.15 | **0.38** | 0.22 | 0.23 |
| Return on capital employed, % | **18.2** | 16.7 | **16.0** | 11.7 | 16.6 |
| Net interest-bearing debt | **666** | 314 | **666** | 314 | 314 |
| Debt-to-equity ratio (gearing), % | **50.8** | 26.4 | **50.8** | 26.4 | 26.4 |

All comparables for 2001 in this text are pro forma figures including Avesta Sheffield for the full periods stated. In actual figures, Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.

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# Interim Report for January to June 2002

**Positive market trends enabled price increases**

Global economic growth remained sluggish throughout the period. In the USA, the recovery failed to gain momentum. Year-on-year, US industrial production continued to fall in the second quarter. Industrial production fell and investment activity also declined in all major European countries. On the other hand, low rates of inflation suggest that there will be no immediate rise in interest rates and European confidence indices continued to rise. China is leading the growth in Asia and even the Japanese economy showed signs of growth on a quarter-on-quarter basis for the first time in more than a year.

In the stainless steel markets, the supply and demand balance was maintained during the second quarter. European base prices that had increased in March, April and May remained unchanged in June. In Europe, the markets experienced a seasonal slowdown in the end of the quarter as restocking came to an end and summer holidays commenced. In the USA, the upturn in demand stalled and demand was weak. Markets in Asia, however, improved as demand in China and South Korea continued to grow.

The inventory levels for stainless steel are estimated to be normal, except in Japan where inventories are high. The European average conversion margin for new orders of cold rolled stainless steel increased during the second quarter by 14% compared to the corresponding period in 2001 and by 11% compared to the first quarter of 2002.

Quarto plate demand was rather good during the first months of the year but slowed during the second quarter. Prices were stable through the quarter. Long products demand remained good, but prices are still weak. Market activity for precision strip has continued to improve. Tubular demand was depressed, although there was strong demand in some business sectors. Selling prices for tubular products remain under pressure.

In May the Chinese government announced a "Safeguard Measure Investigation" on steel products to determine whether its domestic industry has been injured by increased imports of steel products. Fourteen categories, covering stainless steel hot rolled coil, cold rolled sheet and cold rolled coil, are included in the investigation. For certain categories, tariff quotas have been imposed and imports above the quotas will be subject to an additional tariff of 17% or 18%. The provisional safeguard measures will be in force until the investigation is concluded, which is expected to be by late November 2002. China currently needs to import 75% of its stainless steel consumption. Approximately 4% of AvestaPolarit's flat product sales are to China.

Nickel consumption increased and markets were close to balance during the second quarter. Nickel prices increased by 4% compared to the corresponding period in 2001 and by 12% compared to the first quarter in 2002. Production continued to rise, but consumption also rose sharply as a result of higher levels of stainless steel production. Scrap availability remained poor during the period, increasing the need for primary nickel. Nickel inventories grew due to the stockpiling of Russian nickel on the LME. The current volatility in nickel price is mainly led by funds and speculative interest. The continuation of the recent price increases requires that the development in the physical market will support it.

Demand for ferrochrome increased during the quarter, due to a rise in stainless steel production and poor scrap availability. Prices increased slightly, but remained at very low levels, approximately 10% below prices for the second quarter of 2001. Inventory levels for ferrochrome have reduced and prices are expected to increase during the third and fourth quarter.

Molybdenum prices increased rapidly during May but there was an easing of prices towards the end of the second quarter.

**Second quarter result at good level**

Net sales for the second quarter fell by 2% compared to the corresponding period last year, but increased by 7% compared to the first quarter, due to an increase in sales prices. Stainless steel deliveries decreased slightly compared to the corresponding period last year and remained below first quarter levels. Net sales for April to June totalled EUR 823 million (EUR 837 million). Production ran generally well, although two small fires in Tornio reduced production volumes.

The operating profit for April to June amounted to EUR 103 million (EUR 80 million), up 29% on the profits reported for the second quarter of 2001 and up 37% on the profits reported for the first quarter of 2002. The operating result includes the insurance compensation for business interruption and property damage caused by the fire that took place in January at the Group's tube mill and warehousing facilities in Helmond in the Netherlands. The net profit from this insurance compensation in the second quarter result is EUR 20 million. Operating profitability for the quarter was slightly up on last year, with increased conversion margins being offset by reduced deliveries. The operating profit margin was 12.5% (9.6%).

Profit for the second quarter amounted to EUR 74 million (EUR 54 million). The return on capital employed was 18.2% (16.7%) and earnings per share totalled EUR 0.21 (EUR 0.15).

The cash flow from operating activities for April to June decreased compared to the first quarter and remained at similar levels to those reported for the corresponding period last year. Net interest-bearing debt increased to EUR 666 million, mainly as a result of major investment projects and dividend payments. Working capital also increased from March as a result of increased base prices and raw material costs.

| **Key ratios** | **30 June 2002** | 31 Mar 2002 | 31 Dec 2001 | 30 June 2001 |
|---|---|---|---|---|
| Debt-to-equity ratio (gearing), % | **50.8** | 41.7 | 39.7 | 31.4 |
| Equity-to-assets ratio (solvency), % | **40.5** | 42.1 | 41.6 | 41.2 |
| Net interest-bearing debt, EUR million | **666** | 537 | 482 | 373 |

Although the debt-to-equity ratio increased in the quarter as anticipated, the Group's financial position remains good.

**Half-year result markedly better than last year**

Net sales for January to June were 4% down on the figure for the corresponding period last year and totalled EUR 1 592 million (EUR 1 667 million). This reduction is mainly attributable to the fall in average transaction prices compared to the first half of 2001. Operating profit for the six months increased by 56% and amounted to EUR 178 million (EUR 114 million). The improvement in profitability resulted primarily from an increase in conversion margins and stainless steel deliveries. The operating profit for January to June 2002 also includes the insurance compensation received in relation to the fire at the Group's facilities in Helmond.

Net financial expenses amounted to EUR 4 million (EUR 6 million) after capitalisation of EUR 5 million of interest expenses related to Tornio investments. The profit for the half-year period was EUR 133 million (EUR 77 million). Earnings per share amounted to EUR 0.38 (EUR 0.22) and the return on capital employed was 16.0% (11.7%).

**Investment projects and development initiatives proceeding well**

Capital expenditure for January to June amounted to EUR 252 million (EUR 143 million). The major investment projects are proceeding well. The new walking beam furnace at the hot rolling mill in Tornio started on schedule at the end of June and the new melting shop will be commissioned from August. The cold rolling mill is due to be commissioned from December and full production capacity will be reached during 2004. Other major ongoing investment projects include the move to underground mining at the Kemi chromium mine in Finland, the installation of a new billet caster at the Sheffield melting shop in the UK, and increase of long products capacity in the USA.

In April, the Group announced its plans to increase the capacity of the Tornio hot rolling mill from about 1 million tonnes to 1.7 million tonnes per annum. The new investment project will raise hot rolling capacity to match the expanded 1.7 million tonne slab capacity, following completion of the ongoing expansion programme in Tornio. The capability to process all of the expanded slab output into hot band at the site will further strengthen the cost-efficiency of the overall operation and enable optimisation of the material flows within the Coil Products business area. The capital expenditure amounts to approximately EUR 170 million and the new hot rolling capacity is scheduled to be available by the end of 2004.

To further develop the Group's business organisation, the melting shop and Steckel mill in Avesta have been combined with Avesta KBR to form a new business unit called Avesta Integrated Mill. The SMACC melting shop in Sheffield has also been combined with the Long Products business unit and the Primary Products business unit has been discontinued. These changes are included in the second quarter and six-month business area figures for 2002, and the comparable figures for 2001 have been changed accordingly.

Other initiatives to enhance internal efficiency, including the development of the sales and marketing network, implementation of new leadership processes and increased focus on cost control, have proceeded well.

## Business area reviews

### *Coil Products*

**Key figures**

| | **Apr-June 2002** | Apr-June 2001 |
|---|---|---|
| Net sales, EUR million | **540** | 601 |
| Operating profit, EUR million | **55** | 41 |
| Operating profit margin, % | **10.2** | 6.8 |
| Average number of employees | **4 567** | 4 347 |

For April to June, net sales for Coil Products were down 10% as a result of reduced deliveries. Operating profit for the period amounted to EUR 55 million. Profitability improved markedly due to higher conversion margins and efficiency improvements.

Production volumes for steel slabs remained around 2001 levels, while the volumes for cold rolled coil and white hot strip fell compared to the same period last year. The decline in production was mainly caused by a small fire at the cold rolling mill in Tornio at the end of May and another small fire at the melting shop at the end of June. The expansion programme in Tornio is proceeding well although the start of commissioning of the new melting shop was postponed from July to August, mainly due to the national electricity workers' strike in April. The increase in personnel results from the people employed for the Tornio expansion.

Operations in Avesta have now been reorganised into the new Avesta Integrated Mill business unit. The Primary Products business unit has been discontinued after the SMACC melting shop was combined with the Long Products business unit in Special Products. The restructuring of the Panteg works in the UK is proceeding according to plan.

### *Special Products*

**Key figures**

| | **Apr-June 2002** | Apr-June 2001 |
|---|---|---|
| Net sales, EUR million | **374** | 397 |
| Operating profit, EUR million | **27** | 16 |
| Operating profit margin, % | **7.2** | 4.0 |
| Average number of employees | **3 572** | 3 600 |

Second quarter net sales for Special Products fell 6% from last year's figures, mainly as a result of reduced deliveries. Operating profit increased significantly and totalled EUR 27 million. This includes part of the insurance compensation received in relation to the fire at the Group's plant in Helmond, which had a net effect of EUR 15 million on Special Products' operating profit. The remaining EUR 5 million of the net effect of the insurance compensation, which relates to the local sales company, has been allocated to Other Operations.

Most of the business units within Special Products reported an increase in production volumes, while the production of precision strip fell compared to the corresponding period last year. The combination of SMACC and Long Products has been finalised and the restructuring of melting activities in Degerfors and Sheffield is proceeding according to plan. An investment in a laser welding line is to be made at the Nyby tubular operation to improve efficiency and reduce costs.

### *North America*

**Key figures**

| | **Apr-June 2002** | Apr-June 2001 |
|---|---|---|
| Net sales, EUR million | **72** | 74 |
| Operating profit, EUR million | **3** | 0 |
| Operating profit margin, % | **4.2** | neg. |
| Average number of employees | **349** | 371 |

North America net sales fell slightly compared to the corresponding period last year due to the weakening of the US dollar. As a result of improved cost efficiency together with some price increases and a favourable product mix, the operating profit reached EUR 3 million, a clear improvement compared to the same period last year and to the first quarter of 2002 despite the continued weak market conditions in the USA.

Production in North America ran smoothly and volumes remained at last year’s levels. The project to enhance the Group’s capabilities in stainless steel long products through investments in new capacity and a long-term hire-rolling co-operation agreement with Allegheny Technologies Inc. in Richburg is proceeding to plan.

## Outokumpu to acquire full ownership of AvestaPolarit

As announced on 1 July, Outokumpu Oyj, the majority shareholder of AvestaPolarit, has agreed with the other principal owner Corus Group plc (23.2%) that Outokumpu will acquire all AvestaPolarit shares owned by Corus at a price of EUR 6.55 per share, conditional upon clearance by the European Commission. Upon completion of this acquisition, Outokumpu will make a mandatory cash offer to the other shareholders in AvestaPolarit to acquire the remaining AvestaPolarit shares at the same price. The mandatory offer is expected to be made around the middle of August and the acceptance period will start shortly thereafter.

The Board of Directors of AvestaPolarit has formed a committee of independent directors to consider the public offer and will make a recommendation to shareholders in due course, prior to commencement of the cash offer acceptance period. AvestaPolarit has retained outside counsel to assist in the evaluation of the offer.

Trading of AvestaPolarit shares will, for the time being, continue as before on the Stockholm and Helsinki stock exchanges.

Outokumpu’s decision to acquire all shareholding interests in AvestaPolarit does not change the fundamentals of AvestaPolarit's good growth and further business development prospects. AvestaPolarit will continue to operate in the market under its current management and will retain its current brand name. It will constitute a core business area within the Outokumpu Group, where stainless steel will account for approximately half of Outokumpu’s total net sales. As part of a larger industrial group, focused on metals and technology, AvestaPolarit is expected to continue to pursue its growth strategy and to further strengthen its position in the global stainless steel business.

Outokumpu announced on 9 July 2002 that it, following purchases of AvestaPolarit shares in the market and taking into account the shares to be acquired from Corus, had increased its holding in AvestaPolarit to 299 870 429 shares, which represents 85.9% of the voting rights and share capital in AvestaPolarit.

## Uncertainty continues in the market

After the seasonally slow third quarter the consumption of stainless steel is expected to pick up and improve on the levels reported for the corresponding period last year. European base prices for stainless steel cold rolled products will remain relatively stable for the summer period, but some price increases are expected in the autumn.

Uncertainty about the general economic development continues, which will also affect the stainless steel market. The Chinese duties and quotas announced in respect of stainless steel imports are further increasing uncertainty in the market. However, the overall outlook for stainless steel is quite positive.

Taking into account the lower volumes and maintenance stoppages during the summer months, the operating result of AvestaPolarit for the third quarter is not forecast to reach the levels of the second quarter, but will nevertheless be a clear improvement on the results reported for the third quarter last year.

## Financial reporting and audit

This report has not been audited nor subject to a limited review audit. The interim report for the third quarter will be published on 24 October 2002.

Espoo, 25 July 2002

**AvestaPolarit Oyj Abp**

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### INCOME STATEMENT (summary)

| EUR million | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Pro forma[1] Jan-June 2001 | Pro forma[1] Jan-Dec 2001 | Jan-June 2001[2] | Jan-Dec 2001[2] |
|---|---|---|---|---|---|---|---|
| **Net sales** | **823** | 837 | **1 592** | 1 667 | 2 977 | 1 541 | 2 851 |
| Cost and expenses | **-750** | -769 | **-1 456** | -1 573 | -2 888 | -1 449 | -2 764 |
| Unusual items | **20** | - | **20** | - | - | - | - |
| Amortisation of negative goodwill | **10** | 12 | **21** | 21 | 45 | 21 | 45 |
| Other operating income and expenses | **0** | 0 | **1** | -1 | 7 | -1 | 7 |
| **Operating profit** | **103** | 80 | **178** | 114 | 141 | 112 | 139 |
| Equity earnings in associated companies | **1** | - | **2** | - | -0 | - | -0 |
| Financial income and expenses | **0** | -4 | **-4** | -6 | -10 | -6 | -10 |
| **Profit before extraordinary items** | **104** | 76 | **176** | 108 | 131 | 106 | 129 |
| Extraordinary items | **-** | - | **-** | - | - | - | - |
| Income taxes | **-27** | -22 | **-40** | -31 | -18 | -29 | -16 |
| Minority interest in earnings | **-3** | - | **-3** | - | -1 | - | -1 |
| **Profit for the financial period** | **74** | 54 | **133** | 77 | 112 | 77 | 112 |
| **Earnings per share [3], EUR** | **0.21** | 0.15 | **0.38** | 0.22 | 0.32 | 0.23 | 0.33 |

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.
3) Diluted and undiluted earnings per share figures are the same.

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**BALANCE SHEET (summary)**

| EUR million | **30 June 2002** | 30 June 2001 | 31 Dec 2001 |
|---|---|---|---|
| **Fixed assets and other long-term investments** | | | |
| Intangible assets | **17** | 11 | 18 |
| Property, plant and equipment | **1 683** | 1 336 | 1 505 |
| Long-term financial assets 1) | **58** | 58 | 58 |
| | **1 758** | 1 405 | 1 581 |
| **Current assets** | | | |
| Inventories | **721** | 720 | 664 |
| Receivables 1) | **676** | 697 | 572 |
| Marketable securities | **15** | 9 | 49 |
| Cash and bank | **67** | 56 | 56 |
| | **1 479** | 1 482 | 1 341 |
| **Total assets** | **3 237** | 2 887 | 2 922 |
| **Shareholders' equity** | **1 299** | 1 181 | 1 206 |
| **Minority interest** | **12** | 8 | 8 |
| **Negative goodwill** | **364** | 458 | 401 |
| **Long-term liabilities** | | | |
| Interest-bearing | **388** | 85 | 203 |
| Non interest-bearing | **294** | 290 | 285 |
| | **682** | 375 | 488 |
| **Current liabilities** | | | |
| Interest-bearing | **363** | 305 | 391 |
| Non interest-bearing | **517** | 560 | 428 |
| | **880** | 865 | 819 |
| **Total shareholders' equity and liabilities** | **3 237** | 2 887 | 2 922 |

1) Includes interest-bearing assets of EUR 3 million at 30 June 2002, EUR 11 million at 30 June 2001 and EUR 7 million at 31 December 2001.

**CASH FLOW STATEMENT (summary)**

| EUR million | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Pro forma[1) ] Jan-June 2001 | Pro forma[1)] Jan-Dec 2001 | Jan-June 2001[2)] | Jan-Dec 2001[2)] |
|---|---|---|---|---|---|---|---|
| Income financing | **122** | 73 | **184** | 105 | 123 | 100 | 126 |
| Change in working capital | **-74** | -26 | **-79** | 42 | 91 | 59 | 97 |
| **Cash provided by operating activities** | **48** | 47 | **105** | 147 | 214 | 159 | 223 |
| Capital expenditure | **-146** | -91 | **-252** | -143 | -408 | -140 | -405 |
| Cash provided by other investing activities | **0** | 0 | **-3** | -3 | 40 | 27 | 70 |
| **Cash flow before financing activities** | **-98** | -44 | **-150** | 1 | -154 | 6 | -112 |
| Cash provided by financing activities | **113** | 26 | **126** | -53 | 145 | -58 | 143 |
| Adjustments | **-3** | - | **1** | - | -3 | - | -2 |
| **Change in cash and marketable securities** | **12** | -18 | **-23** | -52 | -12 | -12 | 29 |

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´EQUITY**

| EUR million | Share capital | Other restricted | Translation difference | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance at 31 Dec 2000** | 104 | 212 | - | 360 | 676 |
| Targeted share issue | 84 | 390 | - | - | 474 |
| Dividend | - | - | - | -52 | -52 |
| Translation differences | - | - | 6 | - | 6 |
| Net income | - | - | - | 77 | 77 |
| **Balance at 30 June 2001** | 188 | 602 | 6 | 385 | 1 181 |
| | | | | | |
| **Balance at 31 Dec 2001** | 188 | 602 | -4 | 420 | 1 206 |
| Dividend | - | - | - | -28 | -28 |
| Translation differences | - | - | -12 | - | -12 |
| Net income | - | - | - | 133 | 133 |
| **Balance at 30 June 2002** | 188 | 602 | -16 | 525 | 1 299 |

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**KEY FIGURES**

| | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Pro forma[1] Jan-June 2001 | Pro forma[1] Jan-Dec 2001 | Jan-June 2001[2] | Jan-Dec 2001[2] |
|---|---|---|---|---|---|---|---|
| Operating profit margin, % | | | | | | | |
| - excl. negative goodwill [3] | **11.3** | 8.1 | **9.9** | 5.7 | 3.2 | 6.0 | 3.3 |
| - incl. negative goodwill | **12.5** | 9.6 | **11.2** | 7.0 | 4.7 | 7.4 | 4.9 |
| Return on capital employed, % | | | | | | | |
| - excl. negative goodwill [3] | **16.4** | 14.2 | **14.2** | 9.6 | 4.8 | 13.5 | 6.6 |
| - incl. negative goodwill | **18.2** | 16.7 | **16.0** | 11.7 | 7.0 | 16.6 | 9.8 |
| Capital employed [4], EUR million | **2 341** | 1 961 | **2 341** | 1 961 | 2 097 | 1 961 | 2 097 |
| Net interest bearing debt [4], EUR million | **666** | 314 | **666** | 314 | 482 | 314 | 482 |
| Equity-to-assets ratio [4], % | **40.5** | 41.2 | **40.5** | 41.2 | 41.6 | 41.2 | 41.6 |
| Debt-to-equity ratio [4], % | **50.8** | 26.4 | **50.8** | 26.4 | 39.7 | 26.4 | 39.7 |
| Return on shareholders' equity, % | **23.7** | 18.3 | **21.5** | 13.0 | 9.5 | 16.4 | 11.9 |
| Earnings per share (excl. extraordinary items) [5], EUR | | | | | | | |
| - excl. negative goodwill [3] | **0.18** | 0.12 | **0.32** | 0.16 | 0.19 | 0.17 | 0.20 |
| - incl. negative goodwill | **0.21** | 0.15 | **0.38** | 0.22 | 0.32 | 0.23 | 0.33 |
| Earnings per share [5], EUR | | | | | | | |
| - excl. negative goodwill [3] | **0.18** | 0.12 | **0.32** | 0.16 | 0.19 | 0.17 | 0.20 |
| - incl. negative goodwill | **0.21** | 0.15 | **0.38** | 0.22 | 0.32 | 0.23 | 0.33 |
| Adjusted average number of shares outstanding, '000s | **348 942** | 348 942 | **348 942** | 348 942 | 348 942 | 327 800 | 338 312 |
| Shareholders' equity per share [4], EUR | **3.72** | 3.38 | **3.72** | 3.38 | 3.46 | 3.38 | 3.46 |
| Adjusted number of shares outstanding [4], '000s | **348 942** | 348 942 | **348 942** | 348 942 | 348 942 | 348 942 | 348 942 |
| Capital expenditure, EUR million | **146** | 91 | **252** | 143 | 408 | 140 | 405 |
| Depreciation [6], EUR million | **30** | 32 | **62** | 62 | 123 | 59 | 120 |
| Average number of employees [7] | **9 312** | 9 210 | **9 299** | 9 016 | 9 003 | 7 938 | 8 855 |

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.
3) Amortisation of negative goodwill deducted from profit.
4) At the end of the period.
5) Diluted and undiluted earnings per share figures are the same.
6) Amortisation of negative goodwill not included.
7) The personnel figure for second and third quarters seasonally increases due to summer trainees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Principles applied in the financial statements

AvestaPolarit prepares its financial statements in accordance with generally accepted accounting principles in Finland. The reconciliation of the profit for the financial period and equity to International Accounting Standards ("IAS") does not show any material differences, as demonstrated below.

| **Profit for the financial period,** EUR million | Jan-June 2002 |
|---|---|
| Profit for the financial period | 133 |
| Unrealised gains on hedges (net of tax) | 1 |
| Profit for the financial period based on IAS | 134 |

| **Shareholders' equity,** EUR million | 30 June 2002 |
|---|---|
| Equity in the interim report | 1 299 |
| Unrealised gains on hedges (net of tax) | 3 |
| Equity based on IAS | 1 302 |

### Board of Directors' authority to increase share capital

The Board of Directors is authorised to increase the share capital by issuing new shares and by taking out convertible loans, in one or more instances. The increase may amount to a maximum of EUR 37 685 767.86 or 69 788 459 shares. The authorisation is valid for a period of one year from the date of the Annual General meeting held on 9 April 2002 and will remain subject to the governance of the Shareholders' Agreement concluded between Outokumpu Oyj and Corus Group plc, the main shareholders of AvestaPolarit Oyj Abp.

| **Note to the income statement** | | | | Pro forma[1] | | | |
|---|---|---|---|---|---|---|---|
| EUR million | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Jan-June 2001 | Jan-Dec 2001 | Jan-June 2001[2] | Jan-Dec 2001[2] |
| **Unusual items** | | | | | | | |
| Restructuring and other provisions | **-** | - | **-16** | - | -29 | - | -29 |
| Net profit of the insurance compensation for Helmond fire 3) | **20** | - | **20** | - | - | - | - |
| Additional amortisation of negative goodwill | **-** | - | **16** | - | 29 | - | 29 |
| | **20** | - | **20** | - | - | - | - |
| **Income taxes** | | | | | | | |
| Current taxes | **-15** | -19 | **-23** | -30 | -49 | -28 | -47 |
| Deferred taxes | **-12** | -3 | **-17** | -1 | 31 | -1 | 31 |
| | **-27** | -22 | **-40** | -31 | -18 | -29 | -16 |

Income taxes recognised for the interim period are a proportional share of the income taxes estimated for the entire financial year.

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.
3) The total insurance compensation is EUR 40 million, of which EUR 7 million has been accounted for in net sales and EUR 33 million in unusual items. The corresponding costs are EUR 7 million in cost of sales and EUR 13 million in unusual items.

| **Commitments** EUR million | **30 June 2002** | 30 June 2001 | 31 Dec 2001 |
|---|---|---|---|
| Mortgages and pledges to secure borrowings of Group companies | **43** | 19 | 43 |
| Guarantees on behalf of Group companies and other parties | **18** | 13 | 15 |
| Minimum future lease payments on operating leases | **102** | 67 | 104 |

| **Financial indicators by quarter** | | | | | | Pro forma[1) |
|---|---|---|---|---|---|---|
| EUR million | **Apr-June 2002** | Jan-Mar 2002 | Oct-Dec 2001 | July-Sep 2001 | Apr-June 2001 | Jan-Mar 2001 |
| Net sales | **823** | 769 | 679 | 631 | 837 | 830 |
| Operating profit | **103** | 75 | 23 | 4 | 80 | 34 |
| Profit before extraordinary items | **104** | 72 | 21 | 2 | 76 | 32 |
| Earnings per share (excluding extra-ordinary items) [3)], EUR | **0.21** | 0.17 | 0.08 | 0.02 | 0.15 | 0.07 |
| Earnings per share [3)], EUR | **0.21** | 0.17 | 0.08 | 0.02 | 0.15 | 0.07 |

| **Key financial figures by business area** | | | | Pro forma[1)] | | | |
|---|---|---|---|---|---|---|---|
| EUR million | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Jan-June 2001 | Jan-Dec 2001 | Jan-June 2001[2)] | Jan-Dec 2001[2)] |
| **Net sales** | | | | | | | |
| Coil Products | **540** | 601 | **1 227** | 1 195 | 2 130 | 1 117 | 2 053 |
| Special Products | **374** | 397 | **700** | 761 | 1 350 | 687 | 1 277 |
| North America | **72** | 74 | **143** | 152 | 285 | 136 | 269 |
| Other operations | **355** | 349 | **686** | 692 | 1 272 | 618 | 1 198 |
| Intra-group sales | **-518** | -584 | **-1 164** | -1 133 | -2 060 | -1 017 | -1 946 |
| Total for the Group | **823** | 837 | **1 592** | 1 667 | 2 977 | 1 541 | 2 851 |
| **Operating profit** | | | | | | | |
| Coil Products [4)] | **55** | 41 | **114** | 58 | 89 | 52 | 77 |
| Special Products [4)] | **27** | 16 | **35** | 26 | 14 | 25 | 10 |
| North America | **3** | 0 | **4** | -2 | -6 | -1 | -5 |
| Other operations [4)] | **6** | -2 | **7** | 4 | -4 | 7 | 6 |
| Amortisation of negative goodwill | **10** | 12 | **20** | 21 | 45 | 21 | 45 |
| Intra-group items | **2** | 13 | **-2** | 7 | 3 | 8 | 6 |
| Total for the Group | **103** | 80 | **178** | 114 | 141 | 112 | 139 |

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.
3) Diluted and undiluted earnings per share figures are the same.
4) Restructuring and other provisions made during the first quarter of 2002 and fourth quarter of 2001 have been netted with the corresponding additional amortisation of negative goodwill. Accordingly, the operating profit for each business area is presented with a net income effect of zero for these two items.

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| **Production of main products** | | | | Pro forma[1] | | | |
|---|---|---|---|---|---|---|---|
| 1,000 tonnes | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Jan-June 2001 | Jan-Dec 2001 | Jan-June 2001[2] | Jan-Dec 2001[2] |
| **Coil Products** | | | | | | | |
| Steel slabs | **411** | 425 | **822** | 799 | 1 487 | 747 | 1 435 |
| - of which Long Products' share | **147** | 157 | **277** | 281 | 481 | 247 | 447 |
| Cold rolling mill production | | | | | | | |
| - cold rolled | **207** | 219 | **428** | 416 | 766 | 396 | 746 |
| - white hot strip | **65** | 87 | **206** | 174 | 337 | 161 | 324 |
| **Special Products** | | | | | | | |
| Ferrochrome | **63** | 61 | **126** | 126 | 236 | 126 | 236 |
| Tubes and tube fittings | **19** | 16 | **38** | 29 | 60 | 26 | 57 |
| Quarto plate | **26** | 16 | **51** | 33 | 65 | 29 | 61 |
| Long products [3] | **55** | 40 | **94** | 87 | 178 | 76 | 167 |
| Precision strip | **5** | 7 | **10** | 15 | 25 | 13 | 23 |
| **North America** | | | | | | | |
| Quarto plate, bar and tubes | **21** | 19 | **40** | 39 | 75 | 35 | 71 |

1) In the pro forma figures, Avesta Sheffield has been consolidated into AvestaPolarit for the whole period.
2) Avesta Sheffield has been consolidated into AvestaPolarit as from 23 January 2001.
3) Other than slabs.

| **Open derivative instruments** | Carrying value | Fair value | Contract amounts | |
|---|---|---|---|---|
| EUR million | **30 June 2002** | **30 June 2002** | **30 June 2002** | 31 Dec 2001 |
| Financial derivatives | | | | |
| - Forward foreign exchange contracts | **-7** | **-4** | **302** | 201 |
| Metal derivatives | | | | |
| - Forward nickel contracts [1] | **0** | **1** | **1173** | 3 126 |
| Electricity derivatives | | | | |
| - Forward electricity contracts [2] | **-0** | **-0** | **936 646** | 43 185 |

1) Contract amounts of nickel derivatives in tonnes.
2) Contract amounts of electricity derivatives in MWh.

The derivative transactions have been made for hedging purposes. The fair value of derivatives indicates the result of those transactions if the deals were closed at the date of the balance sheet.

| **Euro exchange rates** Average rates | **Apr-June 2002** | Apr-June 2001 | Change % | **Jan-June 2002** | Jan-June 2001 | Change % | Jan-Dec 2001 |
|---|---|---|---|---|---|---|---|
| USD | **0.92** | 0.87 | 5.7 | **0.90** | 0.90 | 0.0 | 0.90 |
| SEK | **9.16** | 9.13 | 0.3 | **9.16** | 9.06 | 1.1 | 9.26 |
| GBP | **0.63** | 0.61 | 3.3 | **0.62** | 0.62 | 0.0 | 0.62 |
| Closing rates | | | | | | | |
| USD | | | | **1.00** | 0.85 | 17.6 | 0.88 |
| SEK | | | | **9.10** | 9.21 | -1.2 | 9.30 |
| GBP | | | | **0.65** | 0.60 | 8.3 | 0.61 |

The exchange rates are quoted by the European Central Bank.

| **Metal market prices** Average prices | | **Apr-June 2002** | Apr-June 2001 | **Jan-June 2002** | Jan-June 2001 | Change % | Jan-Dec 2001 |
|---|---|---|---|---|---|---|---|
| Stainless steel | | | | | | | |
| - transaction price | EUR/kg | **1.75** | 1.63 | **1.64** | 1.67 | -1.8 | 1.65 |
| - base price | EUR/kg | **1.41** | 1.26 | **1.36** | 1.24 | 9.7 | 1.28 |
| - conversion margin | EUR/kg | **0.98** | 0.86 | **0.93** | 0.82 | 13.4 | 0.86 |
| Ferrochrome (Cr-content) | USD/lb | **0.30** | 0.33 | **0.29** | 0.35 | -17.1 | 0.32 |
| | EUR/kg | **0.72** | 0.82 | **0.72** | 0.86 | -16.3 | 0.79 |
| Nickel | USD/lb | **3.15** | 3.03 | **2.98** | 3.00 | -0.7 | 2.70 |
| | EUR/kg | **7.56** | 7.65 | **7.32** | 7.36 | -0.5 | 6.64 |

Sources:
*Stainless steel:* CRU – German transaction price, base price and conversion margin (2mm cold rolled 304 sheet). CRU estimate prices for deliveries made in Germany during the period.
*Ferrochrome:* CRU – High carbon ferrochrome, 50-55% Cr.
*Nickel:* London Metal Exchange (LME) cash quotations.

**Definitions of key figures**
For definitions of key figures, see AvestaPolarit's Annual Report 2001 at www.avestapolarit.com.